UNC ALPHA CHALLENGE

Equity Team 15

Long: Abercrombie and Fitch (NYSE: ANF)

Current Price: $69.87 (11/23/2025) | 1Y Price Target: $106.90 (53% Upside)

December 2025

BUSINESS DESCRIPTION

Business Description

Duality of Customer Base

Abercrombie & Fitch (NSYE: ANF) is a U.S. based apparel retailer that sells casual lifestyle clothing and accessories primarily targeting teens and young adults. It operates two main brand segments: Abercrombie (and related sub-brands) and Hollister. They sell through company-operated stores, e-commerce, and international subsidiaries. Geographically, the majority of business is in the Americas.

Current Price ($,11/23/2025)	69.9	52W High/Low ($)	164.8/65.4
Market Cap	$3.3 billion	Avg. Volume (M)	1.887
Enterprise Value	$3.4 billion	Float (%)	97.7%
´26E Revenue	$5,406 billion	NTM EV/EBITDA	3.6x
´26E EBITDA	$848 billion	NTM P/E	8.6x
EBITDA Margin (%)	16%	LTM Q3´25 ROA (%)	11.7%
2026E EPS ($)	$10.4	Approved Buybacks	103 billion

1) **Abercrombie (~52% of revenue, ~21.4% 3 Year Rev CAGR)**

❑ Target Customer

- Focus on young adults (18–30); shift toward “young professional” lifestyle positioning
- Higher average income vs. Hollister → higher price points

❑ Merchandising and Brand Strategy

- Lower promotional intensity vs Hollister → margin accretive
- More elevated fashion and premium casual wear (denim, dresses, sweaters)

2) **Hollister (~48% of revenue, ~10.4% 3 Year Rev CAGR)**

❑ Target Customer

- Appeals to teen and early college consumers (14-22)
- More value-conscious, trend driven shoppers

❑ Merchandising and Brand Strategy

- Larger store footprint in mall-based locations, focus on social media for discovery

Sources: Company Filings, FactSet, Yahoo Finance

THESIS

tment Thesis: The "Always Forward" Strategy

& Fitch (ANF) has executed a structural turnaround, transforming from a legacy mall retailer into a high-margi leader. The company is poised for multi-year compounding driven by **operational efficiency, international rand durability, and aggressive capital returns.**

ways Forward" naround

conomics via store nd digital dominance driving margins to ade highs.

2. International Expansion

Stabilizing EMEA through localization ("UK Playbook") while fueling the high-ROI **APAC growth engine** via "Quiet Luxury" alignment.

3. Durability of the Brand

Structural moats built on **governance incentives** (margin over volume) and **product quality** validation (Voice of Customer).

4. Capital Al Strateg

Aggressive **"Canni** program retiring ~ creating a structu turbocharging E

Relations, 10-K Filings, FactSet.

onal Turnaround – The Omnichannel Engine

mbie & Fitch has structurally fixed its unit economics by transforming its physical fleet from a "legacy liability" into a profit
minant digital business, driving margins to decade highs.

rvival Mode" to Net Opener

ategy: After years of shrinking, ANF is a **Net Opener** for the 3rd
ar (targeting ~40 net new stores in FY 2025).

trategy moved from "Flagship to Neighborhood." They are exiting dark,
urist hubs and opening smaller **"Getaway" concepts** (2.5k–3k sq. ft.) in
s where retention is higher.

w stores prioritize Sales Productivity per Sq. Ft. over total footprint,
pancy costs while improving brand visibility.

a Profit Driver (Not Loss Leader)

nnel: Digital now captures **~60%** of Abercrombie brand sales (vs. ~30%

lock: Stores act as fulfillment nodes ("Ship from Store"), which **clears**
and reduces markdowns. This structural efficiency helped drive
ins to **~15%** (a decade high).

The Omnichannel Flywheel

E-COMMERCE (60% Revenue) → STORE FULFILLMENT →

~15%

Operating Margin

(Decade High Performance)

Geographic Divergence (Comps)

Americas	+5% Comps
EMEA	-5% Comp

Weakness in Germany is masking success in the UK. M
actively exporting the **"UK Playbook"** (localized assortm
the German market.

HESIS 1: THE "ALWAYS FORWARD" TURNAROUND & BRAND REINVENTION

Resurgence – Decentralized Marketing & Strategic Legitimac

e "Exclusionary" past for a data-driven, creator-led ecosystem.

eator Suite" (Low CAC Engine)

ega: Shifted ad spend from expensive celebrities to a gamified ousands of micro-influencers (1.5k–100k followers), driving agement at lower cost.

nment: The **Paid Affiliate Model** boosts only high-performing meaning ANF pays creators primarily on the actual sales they formance-based marketing).

Strategy

Millennials	Gen Z
& Wedding Guest via **LTK Platform**	Hollister "Brand Agents" on **High School Campuses**

Gamified Tier System: "Level Up" for Higher Commissions

NFL Partnership (Brand Legitimacy)

- **The "Tunnel Walk" Strategy:** As the "Official Fashion Part ANF styles stars like Christian McCaffrey to erase the "ma among male shoppers.
- **TAM Expansion:** Aggressively targets the **~50% female N** "WAG-ready" lifestyle apparel, expanding the addressable traditional preppy shoppers.

Strategic Goal:

Elevate brand perception from "Teen Retailer" to "Lifestyle Es

50% Female

NFL FANBASE TARGET (NEW TAM)

International Synergy: Leveraging 2025 NFL games in Lo and Madrid as a "Trojan Horse" to re-introduce the branc market during the turnaround phase.

MENT THESIS 1: THE "ALWAYS FORWARD" TURNAROUND & BRAND REINVENTION

antitative Validation – The Financial Reality

naround is a structural financial reset. Unit economics, cash flow, and asset efficiency have hit multi-year peaks, validat

e Margin "Reset" (Profitability Explosion)

0%

ATING MARGIN

ded ~1,250 bps in two years (from
n FY22).

64.2%

GROSS MARGIN

Peak profitability driven by Pricing Power (AUR), not just cost cuts.

sset Efficiency (Doing More With Less)

s **Productivity:** Revenue per square foot has surged **+32%** since 2021.

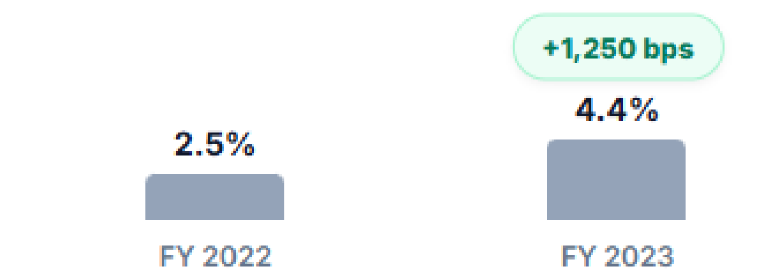
Shift: ANF grew Revenue by 16% in FY2024 while actively reducing total re footage.

cation: The "Getaway" store format generates significantly more cash ollar of rent paid than the old flagship model.

💰 The Cash Engine & Market Validat

- **Free Cash Flow (FCF):** Generated **$527M** in FCI cash burn cycles).
- **Yield:** The business generates enough cash to r **annually** via buybacks ($1.3B authorization) whi

OPERATING MARGIN EXPANSION



Market Re-Rating: The stock returned 285% in 2023 and "graduating" ANF from a distressed retailer to a high-qual

Current Setup: Discount to Earnings Power

The recent pullback creates an entry point into a business with 15% operating margins trading at a discount to its new, proven earnings

ategy – The "Localization" Turnaround

f two regions." Fixing the lag by exporting the UK playbook.

ement is actively fixing the lagging German market by exporting the operational playbook that has already generated success in the UK. This involves sh
ortment to hyper-localized merchandising and pricing.

aybook" (The Blueprint)

rmer

GB

m shifting the London strategy from **"Tourist Destination"** to **"Local**

zed Merchandising

reet now stock trends relevant to the local Londoner (e.g., specific
or UK weather) rather than generic global assortments.

Result: Consistent Comps Outperformance

The Germany "Fix" (The Opportunity)

The Problem: Generic Approach

Germany (-1% decline) was treated as a generic market, leading to inventory
poor fit relevance.

Pivot 1: Fit & Assortment

Tailoring fits to the German consumer (cleaner aesthetics, longer pant length
forcing the US "baggy" trend where it doesn't translate.

Pivot 2: Pricing Precision

Moving away from blanket European pricing to country-specific pricing base
purchasing power and competitor discounting.

Leading Indicator: Google Trends

Search interest for **Abercrombie & Hollister** is demonstrating a clear upward t
strong early signal that the brand resurgence is starting to take off.

c Signal: Decentralized Authority

Home Office in **Savile Row (London)** has been empowered with decision-making authority, moving execution closer to the customer to speed up the "

ategy – The "American Cool" Growth Engine

turnaround, APAC is a pure growth story fueled by "Quiet Luxury."

ot to "Quiet Luxury" aligns perfectly with Asian consumer preferences, driving double-digit growth. The shift away from a "sexualized" image
swear" (clean, premium, logo-light) is the primary catalyst.

Leader

+12%

SALES SURGE (Q2 2025)

Fastest Growing Geography by Percentage

c Driver

American Sportswear" resonates more effectively with current Asian
n the previous nightclub image. The market is rewarding:

imalist, "Old Money" aesthetic.

Focus on heavy cottons and tactile quality ("construction over

lety over branding.

Market Execution

CN China Expansion

Actively rolling out "Getaway" concepts in Tier 1 & 2 cities. Digital strate
traditional websites for "Super Apps" and Livestreaming.

WeChat / Douyin | Social Commerce | Impulse Demand

JP Japan Strategy

A historical appreciation for "Ivy Style" makes Japan the sweet spot fo
quality. Stores are shifting from loud flagships to brighter, fabric-focuse

Ivy Style Heritage | Boutique Format

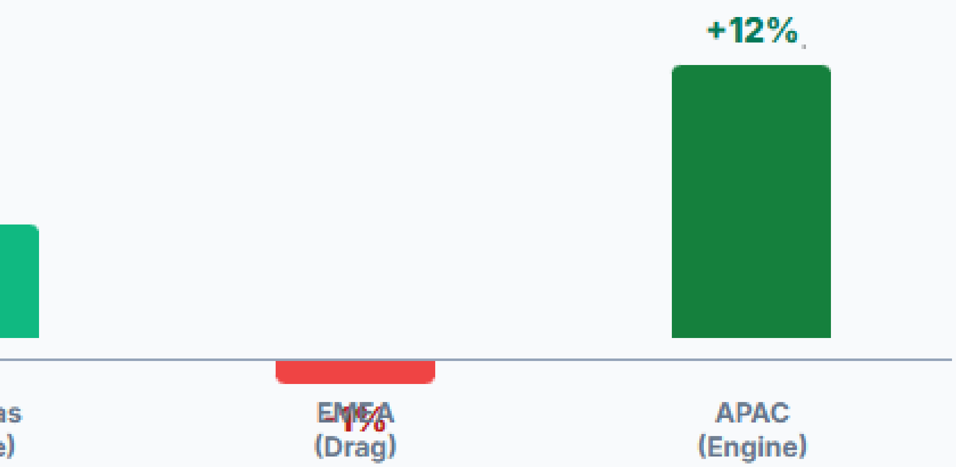
gic Takeaway: ANF is not just "fixing" Asia; it is actively capturing market share by aligning product quality with the region's demand for understated

ive Validation – Global Divergence & Opportunity

rmance gap highlights a clear path: stabilizing EMEA while fueling the APAC engine.

regional performance highlights a clear value-creation path: stabilizing the EMEA drag would immediately lift consolidated results, while the high-ROI A
-term growth acceleration.

rformance Gap (Q2 2025)



mplication: Stabilizing EMEA to even "flat" growth removes a significant drag on consolidated global comps.

China Footprint & Store Economics

Targeted Expansion

New openings are focused strictly on Tier 1 & Tier 2 cities (e.g., Shang
where brand awareness is highest.

Data-Led Inventory

Partnerships with **Tencent (WeChat)** and **Alibaba (Tmall)** allow ANF t
styles digitally before shipping bulk inventory, significantly reducing m
the physical fleet.

Unit Economics Divergence

- **Europe:** Closing legacy flagships improves operating margins e
revenue temporarily dips.
- **APAC:** New "Getaway" stores require significantly lower CapE
flagships, shortening the **"Payback Period"** on new Asian inve

way: The APAC region is not just growing faster; it is growing *more efficiently*, requiring less capital per dollar of revenue growth than trad

nce – Fixing the "Principal-Agent" Problem

mpensation to align store-level behavior with shareholder value.

s re-engineered its compensation model to align store-level behavior with shareholder value. Staff are no longer paid to "buy sales" via discounts; they a
e omnichannel logistics.

gers: From Volume to Value

NTIVE
Targets

→

NEW INCENTIVE
Contribution Margin

hange
pped unauthorized "panic discounts" to hit revenue goals. Margin is now personal.

tected AUR
o full-price sell-through, directly supporting the gross margin expansion.

Operational Alignment

Associates (The "Omni-Credit" Fix)

Solved channel conflict by granting **100% Sales Credit** for online orders placed
The store becomes a portal, not a silo.

The "Save the Sale" Effect
Associates actively hunt for out-of-stock items digitally rather than letting customer
conversion rates.

District Leadership (The "Chase")

The Metric: Bonuses tied to **Inventory Turnover Speed**.

Efficiency: Forces Regional Managers to transfer stagnant inventory between
rather than hoarding it, keeping "Weeks of Supply" lean and reducing liquidatio

me: Incentive Alignment The incentive structure now acts as a governance moat, ensuring that every employee's paycheck depends on executing the high-r

oduct – De-Risking Fashion Risk

guessing" with data-driven validation and a quality-first moat.

ve Feedback" Loop

ine: Brand Agents

of **10,000+ students** and physical tours (e.g., High School Nation) to
n-ground signals.

on vs. Guessing

ams test concepts directly with the target demographic before
g to inventory orders.

e: Product Wins

like the **"Collegiate"** line and **"Western"** trend identified via student
not corporate boardrooms.

sult: Significantly lower markdown risk on new collections.

The "Quality Arbitrage" Moat

Budget Pivot

~~Brand Marketing (Models/Ads)~~ → **Raw Mate (RWS Wool,**

Competitive Advantage: Capitalizing on "Aritzia Fatigue." While peers swit
cut costs, ANF markets lined fabrics and heavy drapes to win the "Value fo

Verification & Consolidation

Tech: Partnership with **Oritain** (forensic fiber testing) verifies origin,
don't swap in cheap cotton.

Supply Chain: Consolidated suppliers to fewer, long-term partners, e
in better stitching machinery.

egic Takeaway: By institutionalizing trend validation and investing in tangible product quality, ANF has structurally de-risked the fashion c

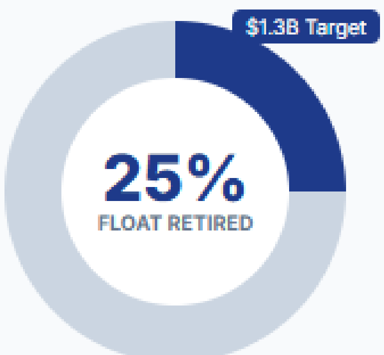
IS 4: CAPITAL ALLOCATION – THE BUYBACK STRATEGY

egy – Valuation Arbitrage

oiting the valuation disconnect to retire ~25% of the float.

ment views the current valuation as a market error. They are aggressively exploiting this disconnect by deploying a massive $1.3B authorization to retire
ructural floor for the stock.

tment



$1.3 Billion
Total Authorization (March 2025)

3.2 Million
Shares Removed (H1 2025)

The Signal (Confidence)

~9x	⇄	14x
CURRENT P/E		HISTORICAL

The Bet: Management is betting earnings are durable, directly contradicting
"peak."

RISK-FREE FUNDING

Free Cash Flow Funded
Buybacks funded by organic cash generation ($570M Cash on Hand), not

Zero Long-Term Debt
Senior secured notes paid off. Eliminates insolvency risk typical of aggres

Strategic Implication: This is not a standard maintenance buyback; it is a structural recapitalization of the business at a discounted valuation.

sis 4: CAPITAL ALLOCATION – THE BUYBACK STRATEGY

ncial Impact – EPS Engineering

am acts as a mathematical turbocharger for Earnings Per Share.

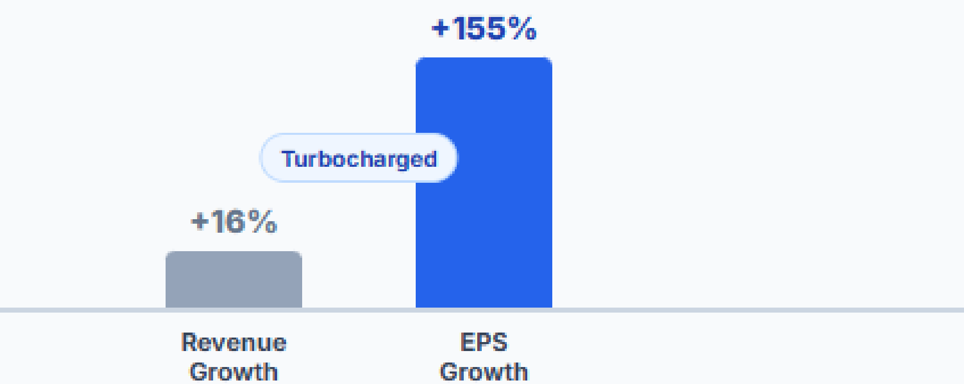
am acts as a mathematical turbocharger for Earnings Per Share (EPS). Even in a "flat" organic growth scenario, EPS will rise due to the rapidly shrinking denominator

ator Effect"

ng the share count increases EPS without requiring Net Income growth.

e strategy provides a mathematical **"safety net"** for EPS targets in FY 2026.

GROWTH DIVERGENCE (2024-2025)



Driven by a **~15% reduction** in share count.

Dry Powder (The Price Floor)

$1.05 Billion

REMAINING AUTHORIZATION

Implication: At current valuations, ANF has the specific capital authorization to r
quarter of the remaining company. This massive potential demand creates signi
the share price.

Safety Profile

Funded by **FCF + Cash**. Low Risk: Zero long-term gross debt means no leverage risk

Strategic Takeaway: The buyback is not just financial engineering; it is a structural mechanism that decouples EPS growth from pure revenue dependence.

VALUATION

Valuation Overview

Valuation Summary 2026: Price Target

		Bear	Base	Bull
PE Multiple	2027 EPS	$7.7	$11.1	$12.6
	Forward P/E	7.0	10.0	12.0
	Price Target	**$53.9**	**$110.9**	**$150.8**
DCF Valuation	2027 EBITDA	685	844	914
	Forward EV/EBITDA	4.6	6.4	7.6
	Enterprise Value	3,139	5,386	6,975
	Net Debt	-437	-536	-597
	Maj. Equity Value	2,694	4,842	6,370
	Shares Outstanding	47	47	47
	Price Target	**$57.2**	**$102.9**	**$135.3**
Returns	Avg. Price Target	**$55.6**	**$106.9**	**$143.1**
	Current Price	$69.9	$69.9	$69.9
	Upside/Downside	**-20.5%**	**53.0%**	**104.8%**

Valuation weighs forward P/E multiples and DCF valuation to determine price targets across the three different cases

- **<u>Base case incorporates:</u>**
  - 10.0x forward P/E multiple, along with a 2027 EPS of $11.1
  - DCF incorporates 10% WACC, 2% growth, and implies a 6.4x exit multiple

This lands the average (50/50 weighted) **Price Target for the Base Case at $106.9, which implies a 53.0% upside tu current valuation.**

	2026			2027		
	Forecast	Consensus	% Difference	Forecast	Consensus	% Difference
Revenue	5,406	5,248	3%	5,617	5,450	3%
% Growth	6%	6%	0%	4%	4%	1%
EBITDA	848	812	4%	844	805	5%
% Margin	16%	15%	1%	15%	15%	2%
EPS	10.4	9.68	8%	11.1	9.95	11%

RISKS

Risks and Mitigants

What Could be a Hindrance in the Stock Rerating?

1

Tariff Volatility

Further political discourse by the current administration could promote margin destabilization and supply chain risks

Mitigants:
- Split finishing outside China (final sewing in VN / Cambodia)
- Tariff engineering / HTS optimization (fiber blend, spec)
- Selective price increases amongst higher margin products

2

Fashion Risk

Risks could arise if the company cannot continuously be at the front of fashion trends

Mitigants:
- Shift toward timeless basics & lifestyle staples → less trend risk, fewer markdowns
- Faster inventory turns → react mid-season, avoid obsolete product
- Data-driven merchandising → repeat winners, cut misses quickly

3

Competition

ANF faces risk in an extremely competitive and commoditized business

Mitigants:
- Lifestyle positioning vs. fast fashion → competes on brand & quality, not price
- Higher AUR + premium consumer base → less overlap with mall value players
- DTC + loyalty-driven repeat spend → stickier customers, harder to displace

APPENDIX

IS 1 SUPPORTING POINTS: APPENDIX A

Store Strategy Deep Dive

taway" concept and Canada market stronghold.

vay" Concept Specs

cept Interior

the dark "nightclub" look to a **"Chic Hotel Lobby"** vibe.
ood accents, bright lighting, and open layouts to invite longer

CIENCY

version with dedicated zones like Denim Studios to drive

Omni-Hubs

Canada Strategy (The Stronghold)

Premium Mall Modernization

Focus on renovating key assets like **Toronto Yorkdale** (post
exit) to capture displaced high-end foot traffic.

Winter-Proofing Logistics

Optimizing inventory flow at hubs like **Toronto Eaton Centre**
stock availability during peak winter months, reducing weat
sales dips.

STRATEGIC NOTE

Canada remains ANF's most consistent international performer, se
testing ground for new cold-weather product lines before US relea

ESIS 1 SUPPORTING POINTS: APPENDIX B

cosystem & Logistics

nd Backend Efficiency

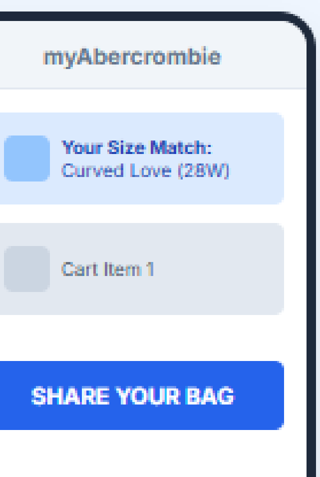
ation

r Bag" Feature

ase feedback tool allowing users to share carts with friends. intent organic traffic and reduces cart abandonment rates.

ation

loyalty data powers hyper-personalized sizing s, significantly lowering return rates and increasing customer LV).



← Seamless User Experience

Backend Efficiency

Ship from Store

Online orders are fulfilled directly from local store shelves rathe distribution centers. This turns every mall location into a mini-f

1. **Order Placed**
   Customer orders online. System locates item at nearest store.
2. **Local Fulfillment**
   Store associate packs item from floor inventory.
3. **Rapid Delivery**
   Short-haul shipping reduces delivery time and cost.

Outcome: Inventory Cleared
Prevents items from getting "trapped" and marked down.

IESIS 1 SUPPORTING POINTS: APPENDIX C

cer Program Architecture

the gamified creator ecosystem managed via Duel.

Structure (Duel)

obby
evel. Micro-influencers complete basic challenges to earn points.

ounge
r. Creators unlock higher commission rates and exclusive product drops.

uite
rformers. "Brand Ambassador" status with maximum perks.

rds: Higher commissions, free product allocation, and voting rights
product designs.

Brand Demographics

Abercrombie

Strategy: "Office Chic" & "Wedding Guest" Focus.

Leveraging platforms like LTK to drive high-AOV items like the Sloane

Hollister

Strategy: "Brand Agents" Program.

Actual high school students paid to capture real-time trends on camp
peer-to-peer influence.

come: This tiered system creates a self-sustaining marketing engine with significantly lower Customer Acquisition Cost (CAC) than traditio

SIS 1 SUPPORTING POINTS: APPENDIX D

obal Brand Heat

ield to validate lifestyle apparel and drive international growth.

ifics

FFICIAL FASHION PARTNER

First retailer to secure this designation

F:

n McCaffrey

Lamb

t

a St. Brown

The Strategic Playbook

Lifestyle Validation

Use the partnership to pivot brand perception from "logos" to **"Lifestyl**
focus is on styling players in vintage crews, bomber jackets, and elevat
"Tunnel Walks," erasing the mall-brand stigma.

International Expansion

Utilize the NFL's massive international push as a **"Trojan Horse"** to re-i
revitalized ANF brand to key European markets.

German Market Turnaround
Specific focus on **NFL Munich** activations to stabilize and grow the German re
turnaround phase.

egic Outcome: Associating with the NFL elevates ANF to a cultural staple, driving relevance with a broader, more affluent male demogra

ESIS 1 SUPPORTING POINTS: APPENDIX E

l Performance Metrics (Q2 2025)

comp sales by geography to isolate growth drivers vs. drag factors.

nce Scorecard

omp Sales	Key Driver / Status
5%	Strong response to remodels ("Getaway" format).
5%	Drag from Germany offsetting UK strength.
1%	Stable; represents small base of total revenue.

EMEA: A Tale of Two Markets

UK

STAR PERFORMER

Aggressively expanding with 8-10 new stores planned.

Germa

PERFORMANC

Macro weakness an

disconne

The Fix: The "UK Playbook"

Management is actively exporting the successful localized assort
from the UK to stabilize the German market, focusing on region-s
weather patterns and style preferences.

eaway: While headline EMEA numbers are soft, the underlying success in the UK proves the brand resurgence is portable internationally w correctly.

ESIS 2 SUPPORTING POINTS: APPENDIX A

eep Dive (UK vs. Germany)

vergence in regional performance and the localization fix.

gence

d Kingdom

NSION MODE

ssively opening **8-10 new stores**. The brand is resonating with local n consumers, moving beyond just tourism.

any

SIZING MODE

tly a drag on EMEA results. Focus is on **closing unprofitable legacy** and correcting inventory mix before returning to growth.

Strategic Shift

Data-Driven Localization

Using advanced data scraping tools to track competitor assortm **vs. London** specifically, ensuring the product mix matches local style preferences.

Powered by EDITED

Dynamic Pricing Precision

Adjusting "ticket prices" dynamically. If real-time data shows Ge competitors are discounting denim, ANF can **react locally** witho price integrity in stronger markets like France or the UK.

mplication: The "One Europe" strategy is dead. Success requires treating Germany and the UK as distinct markets with unique pricing and architectures.

ESIS 2 SUPPORTING POINTS: APPENDIX B

arket Specifics

nd narrative and product fit for China and Japan.

ategy

n

RRATIVE PIVOT

rand as a **"Lifestyle Boutique"** that evokes travel, leisure, and
" strictly distancing it from the "teen clothing shop" perception of

EN LOCALIZATION

onsumer data to adjust sizing charts specifically for the **APAC**
rsus standard US sizing. This significantly reduces return rates
brand trust.

"Getaway" assortments that align with the rising Chinese interest in
ic tourism and outdoor leisure.

Japan Strategy

JP Japan

TREND ALIGNMENT

Capitalizing on the **"Americana"** and **"Quiet Luxury"** trends. The
market has a deep, historical appreciation for authentic American

QUALITY COMPETITIVENESS

Winning by offering **premium fabric quality** (e.g., heavier weight
superior knits) that competes directly and favorably against local
like Uniqlo on a "price-to-quality" basis.

Focus: "Construction over Hype." Marketing highlights stitching
weight, and durability.

come: By treating China and Japan as distinct cultural markets rather than a monolithic "Asia" block, ANF maximizes relevance and conve

ESIS 2 SUPPORTING POINTS: APPENDIX C

igital Ecosystem

y and the "Super App" Difference

trategy

in (TikTok China) ENGAGEMENT

on high-energy **livestreaming** and influencer-led "Fit Checks." This
es impulse demand from Gen Z users browsing content feeds.

l / WeChat RETENTION

primarily for **data harvesting** and Customer Relationship
gement (CRM). Private traffic channels build long-term loyalty and
purchase behavior.

The "Super App" Difference

The Closed-Loop Transaction

Discovery → Transaction → Fulfillm

Full Integration

ANF has fully integrated its inventory into these apps. Users **bu**
without ever leaving the social platform.

Contrast with West: In the US/EU, social ads drive traffic *out* to a .com w
friction. In APAC, the app *is* the store.

cation: By embedding commerce directly into content consumption, ANF significantly reduces friction and captures higher conversion rat
market.

ESIS 3 SUPPORTING POINTS: APPENDIX A

nsation Logic – "Before & After"

own of how incentive structures drive store-level behavior.

nario: A customer asks for a specific item (e.g., Sloane Pant, Size 28) that is currently **out of stock** on the sales floor.

E (The Volume Trap)

VE

paid strictly on **Conversion Rate** or Units Per Transaction
ne sales do not count toward daily goals.

heck online when you get home."
avoids wasting time on a non-commissionable interaction
the next walk-in).

RESULT: LOST SALE

AFTER (The Value Engine)

THE INCENTIVE

Associate paid on **"Omni-Credit."** Any sale originated in-
(physical or digital) counts 100% toward targets.

THE ACTION

"I can order that for you on my iPad right now."
(Associate secures the sale immediately to hit their daily

RESULT: CAPTURED REVENUE

Impact: This seemingly small policy change closes the loop on millions of dollars in potential "walk-away" revenue annually.

ESIS 3 SUPPORTING POINTS: APPENDIX B

dback Machine

technology driving a "community-led" design engine.

Leadership

Collins Krug
ARKETING OFFICER
a strictly "customer-first" marketing approach, shifting
om broadcast to community engagement.

Brophy
ND STRATEGY
of the "Brand Agent" program, ensuring product design is
by real-time feedback loops.

The Execution Engine

THE GAMIFIED LOOP (POWERED BY DUEL)

Challenge
"Style this white tee"

→

Data Gen
1,000s of wear-test data points

→

De
Optimiz

Agile Response Capability

"Brand Agents" allow Design to **"chase" micro-trends** (e.g., Cargo P
Rise) weeks faster than competitors relying on traditional 12-month f
cycles.

mplication: ANF has effectively crowdsourced its R&D, reducing the "fashion risk" of a missed season by validating trends before committ

ESIS 3 SUPPORTING POINTS: APPENDIX C

Validation (Voice of the Customer)

ring wins driving brand loyalty and social sentiment.

Engineering

+2 Inches
TO HIP & THIGH

Curve Love

ttern adjustments that add room to the hip and thigh
easurements while keeping the waist tight.

POINT
e notorious **"Waist Gap"** issue, creating a perception of
lity" at a mall price point.

Online Sentiment (Social Validation)

r/Aritzia • Top Comment

"Aritzia quality has tanked... **Abercrombie's Sloane pant** *is lined, cheap*
better."

r/frugalfemaleheart • Trending

"I used to only buy designer denim, but the heavy cotton in the **ANF 90**
like vintage Levi's used to."

r/femalefashionadvice • Discussion

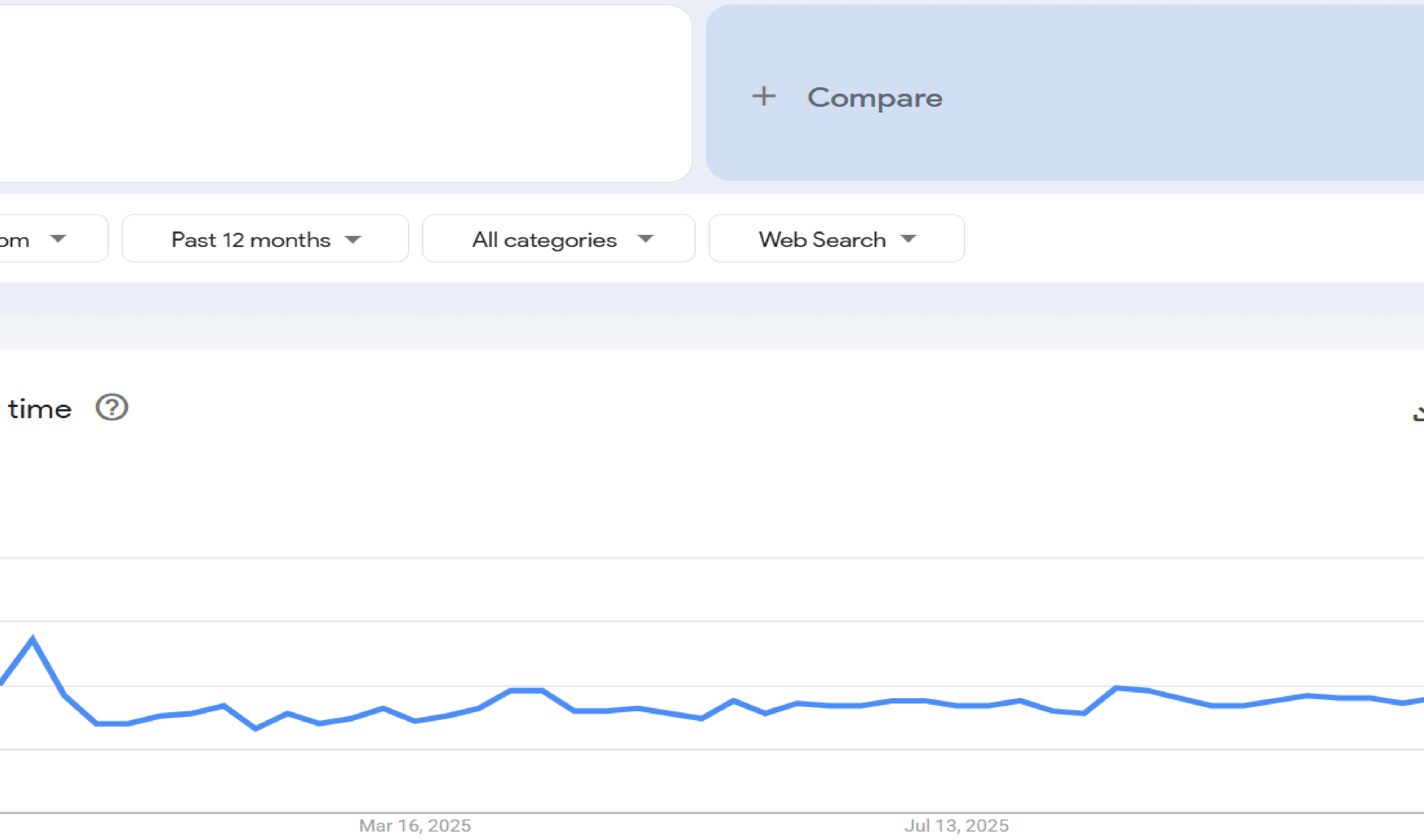
"The consistency is back. I don't have to guess if the fabric will be see-
anymore."

Users are actively validating the "Quality Arbitrage" thesis in re

egic Outcome: Organic social validation lowers marketing costs (CAC) as customers become voluntary brand advocates based on product

PORTING DATA

e Trends in "Hollister" Over The Past Year



PORTING DATA

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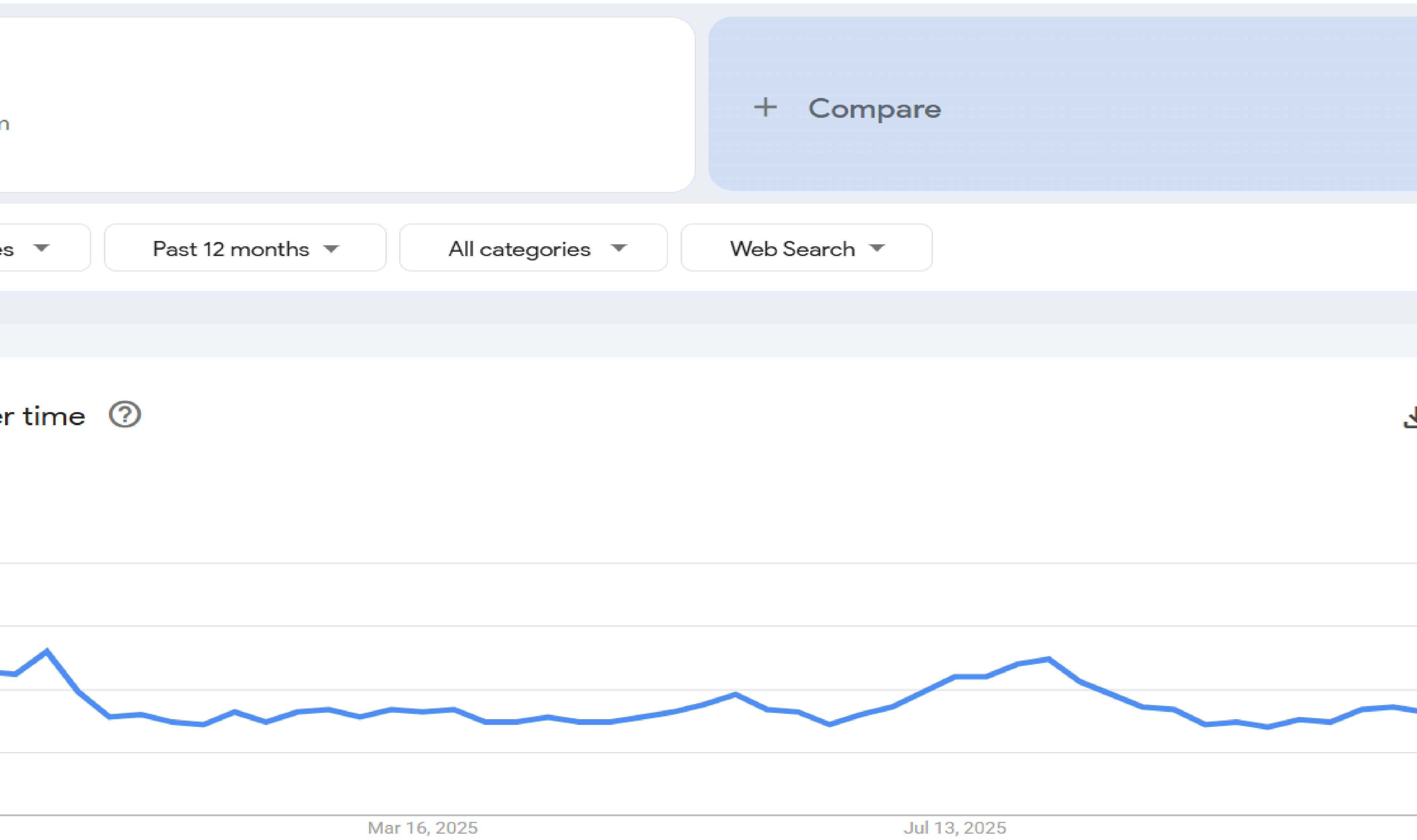


PORTING DATA

e Trends in "Hollister" Over The Past Year

+ Compare

Past 12 months

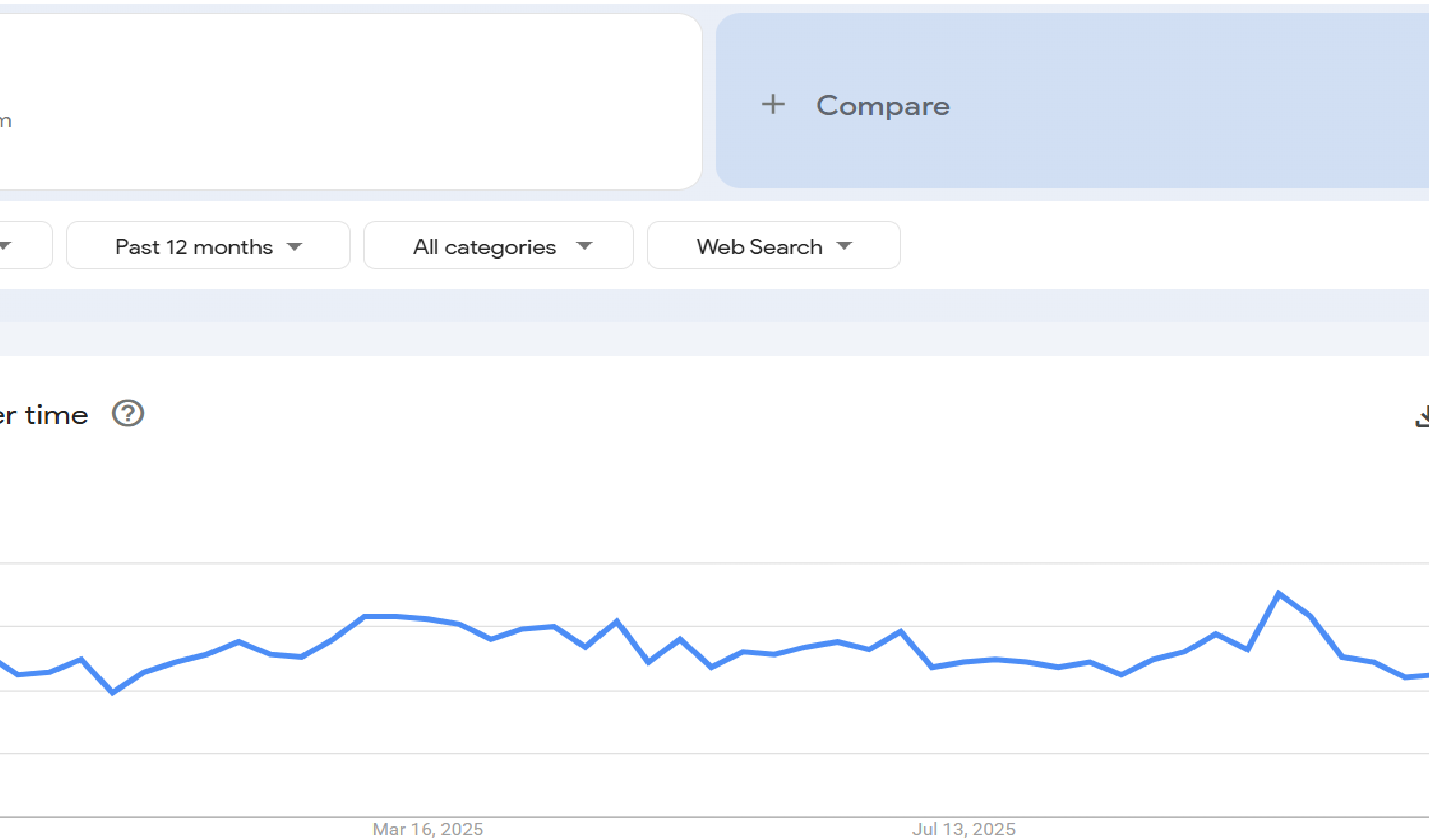
All categories

Web Search

time

PORTING DATA

e Trends in "Hollister" Over The Past Year



PORTING DATA

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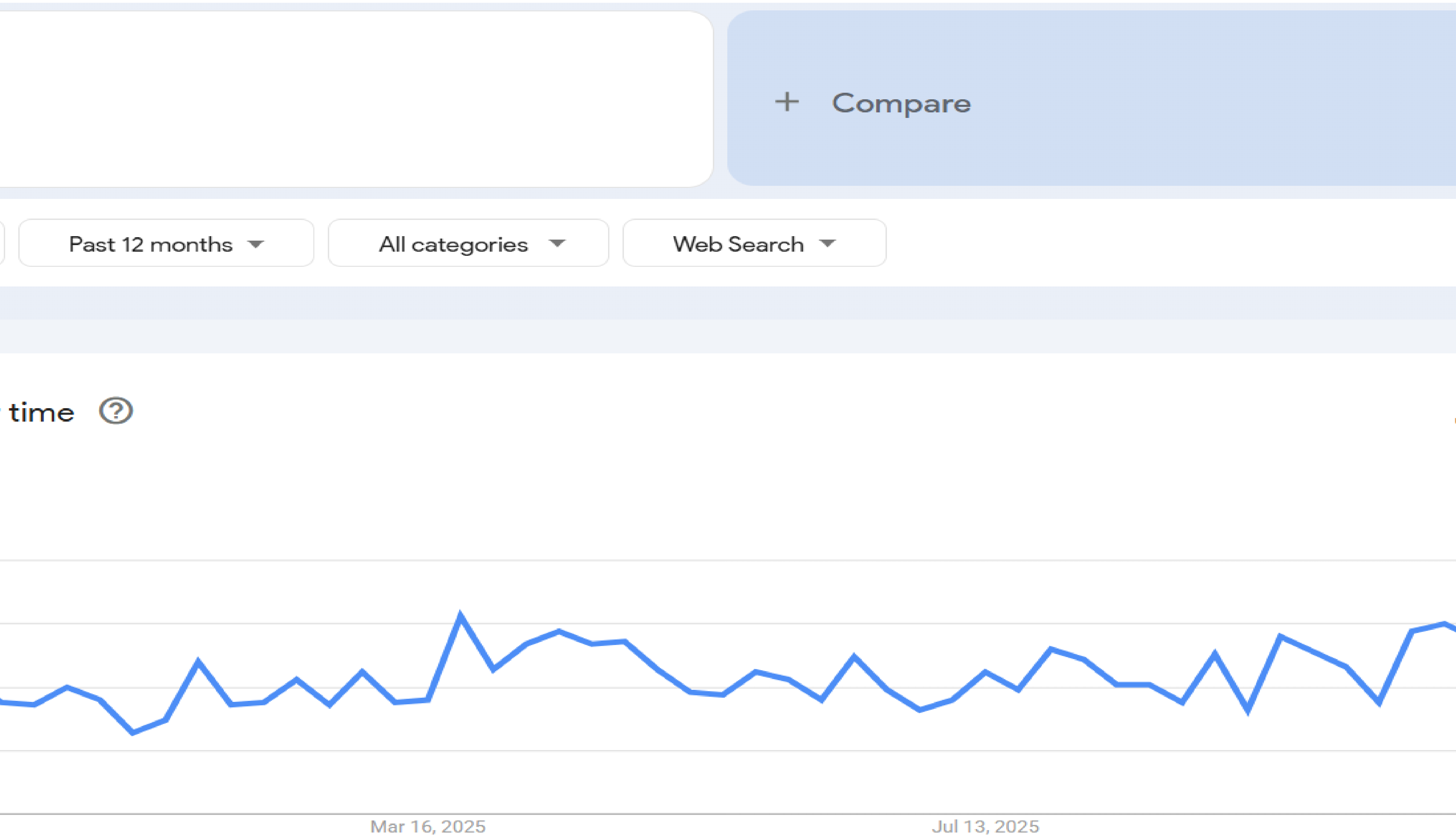
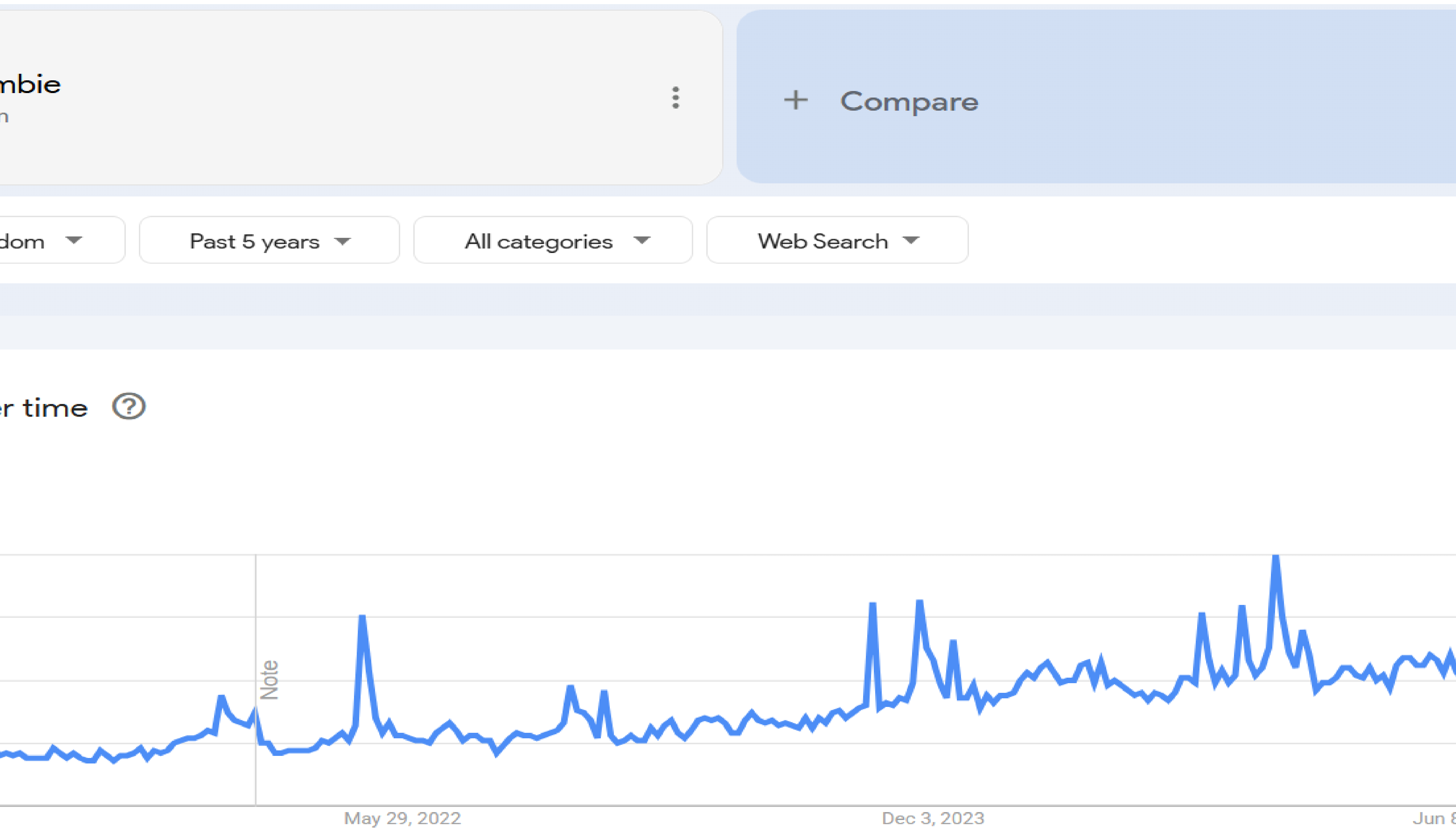


PPORTING DATA

e Trends in "Abercrombie" Over The Past 5 Years



PPORTING DATA

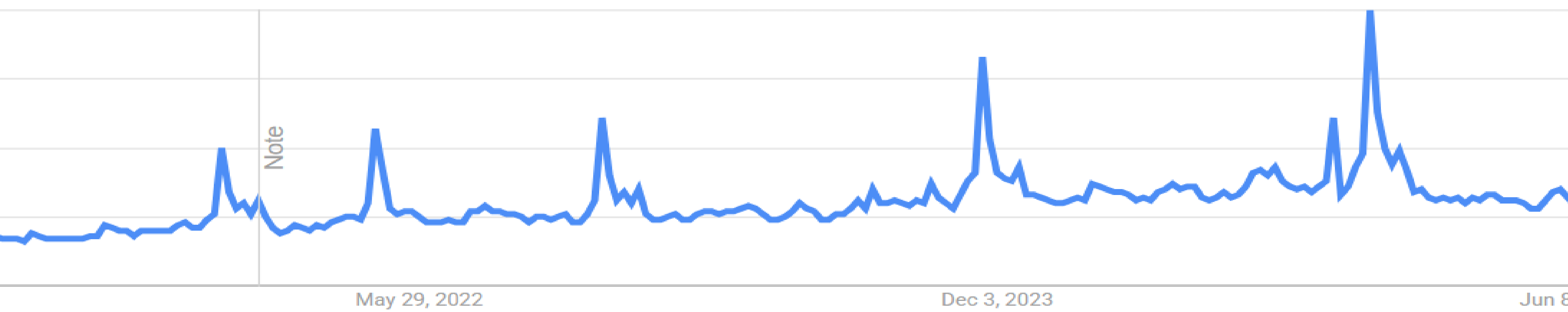
e Trends in "Abercrombie" Over The Past 5 Years

bie

+ Compare

Past 5 years ▾ All categories ▾ Web Search ▾

time ?



PPORTING DATA

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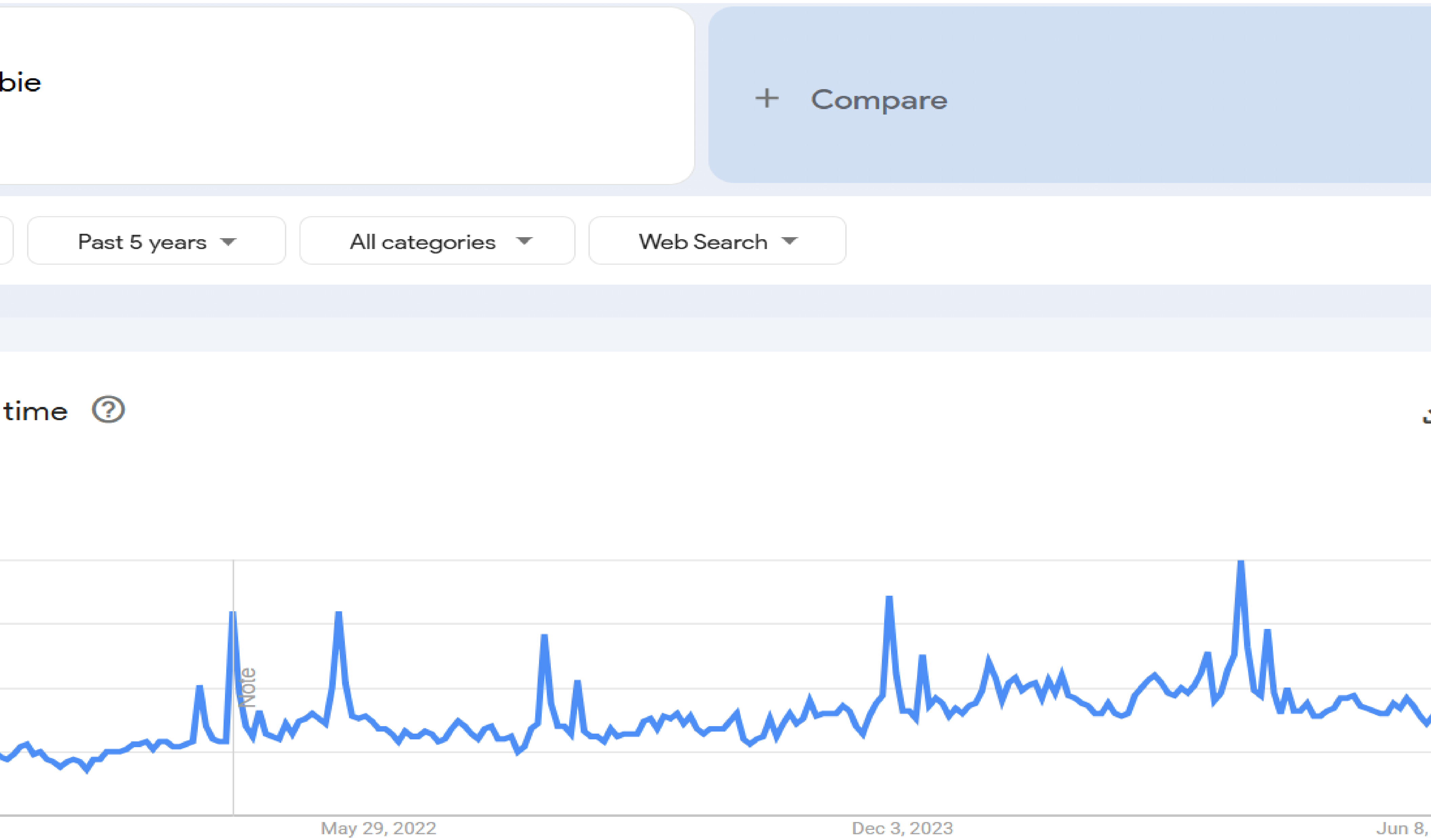

PPORTING DATA

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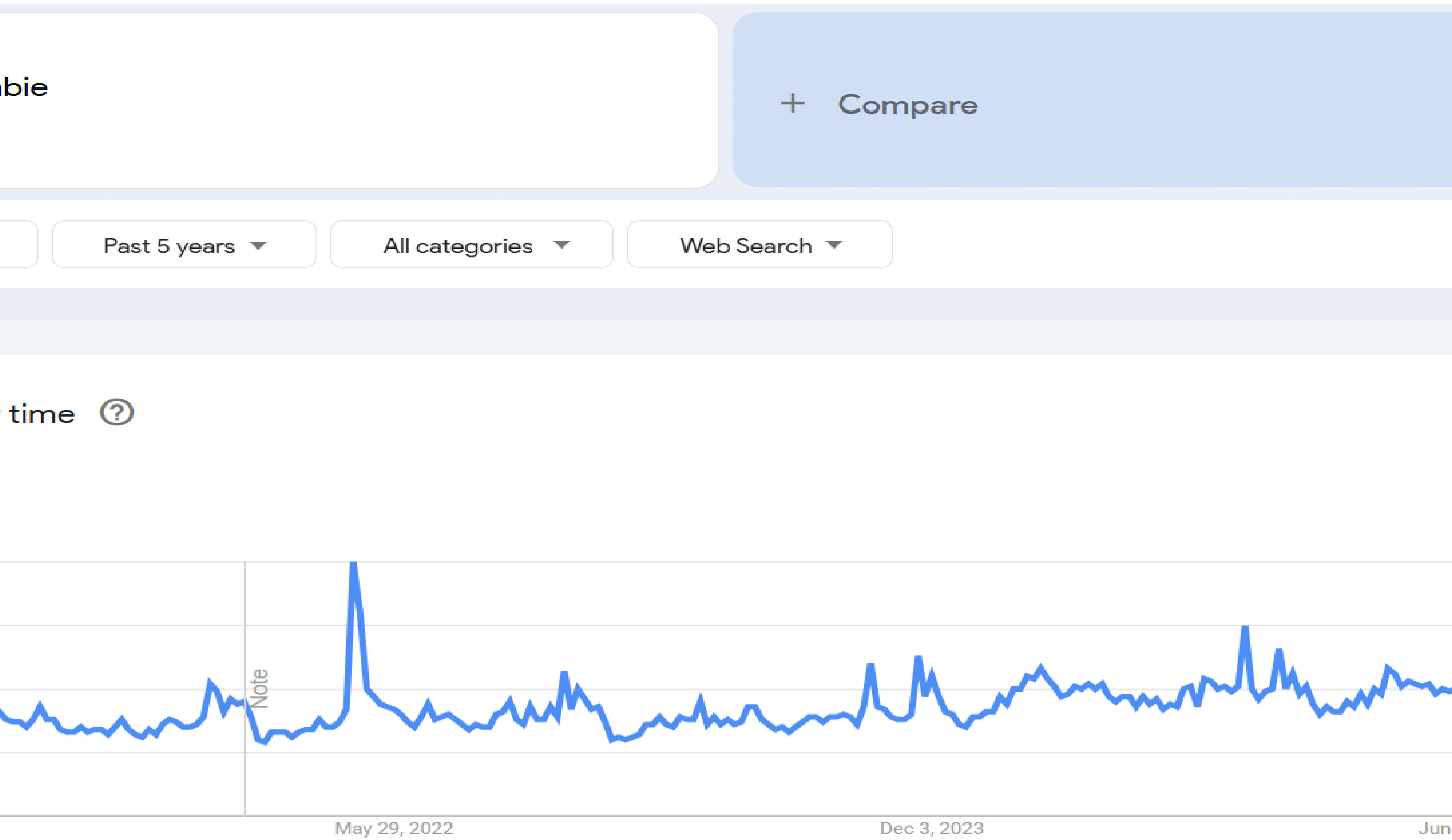

PPORTING DATA

e Trends in "Abercrombie" Over The Past 5 Years

mbie
m

\+ Compare

Past 5 years ▾ All categories ▾ Web Search ▾

er time ⓘ

ORTING DATA

nagement – Tariff Impact & Mitigation Strategy

odated exposure and operational defenses against trade volatility.

xposure (The "Hit")

t (FY25) **$90 Million**

odated) **~170 bps (1.7%)**

e: Despite higher costs, management **raised full-year sales guidance**.
volume growth is effectively offsetting the steeper tariff penalty.

ophy: Absorption

ans to **absorb the majority of costs** rather than raising ticket prices.
izes Market Share and Volume momentum (specifically with price-sensitive
over short-term Gross Margin protection.

Sourcing Architecture Defense

<5%
US IMPORTS FROM CHINA

16
PRODUCTION C

The "Great China Exit"

ANF strategically pre-mitigated risk, dropping China sourcing from ~30
single digits.

Key Hubs: Vietnam, Cambodia, Bangladesh, India.

The "Near-Shoring" Hedge: Utilization of Central America allows good
under **CAFTA-DR**, bypassing trans-oceanic tariffs entirely.

	POTENTIAL IMPACT	ANF MITIGATION STRATEGY
riffs	Potential 60%+ duty on Chinese goods.	**Eliminated Exposure:** US inbound sourcing from China is now <5% (Low
	10-20% baseline tariff on all imports.	**Diversification:** Sourcing across 16 countries + utilization of duty-free Ce zones.
	~170 bps (1.7%) compression.	**Volume Offset:** Raised sales guidance confirms volume growth is neutral headwind.

BASE CASE VALUATION

	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	PERP
REVENUES	**3,125**	**3,713**	**3,698**	**4,281**	**4,949**	**5,097**	**5,406**	**5,617**	**5,860**	**6,113**	**6,397**	**6,500**
Annual Growth		18.8%	-0.4%	15.8%	15.6%	3.0%	6.1%	3.9%	4.3%	4.3%	4.7%	
EBITDA	**218**	**499**	**239**	**630**	**895**	**799**	**848**	**844**	**1,063**	**1,161**	**1,289**	**995**
EBITDA Margin	7%	13%	6%	15%	18%	16%	16%	15%	18%	19%	20%	15%
Annual Growth		129%	NA	NA	42%	-11%	6%	0%	26%	9%	11%	
Δ WORKING CAPITAL	30	216	-156	-201	114	-51	-54	-56	-59	-61	-64	-130
% of Sales	1.0%	5.8%	-4.2%	-4.7%	2.3%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-2.0%
TAXES	-65	-41	-60	-150	-195	-152	-139	-173	-173	-173	-173	-199
% of EBITDA	-29.5%	-8.3%	-25.3%	-23.8%	-21.8%	-19.0%	-16.4%	-20.6%	-16.3%	-14.9%	-13.5%	-20.0%
OPERATING CASH FLOW	**184**	**674**	**22**	**279**	**814**	**596**	**654**	**615**	**831**	**927**	**1,051**	**666**
CAPEX	-203	-102	-97	-165	-158	-221	-217	-223	-228	-236	-246	-260
% of Sales	-6.5%	-2.7%	-2.6%	-3.8%	-3.2%	-4.3%	-4.0%	-4.0%	-3.9%	-3.9%	-3.8%	-4.0%
FCF	**-19**	**572**	**-75**	**114**	**656**	**375**	**438**	**391**	**603**	**691**	**805**	**406**
FCF Mgn.	-8.5%	114.5%	-31.2%	18.1%	73.4%	46.9%	51.6%	46.3%	56.7%	59.5%	62.5%	40.8%
PRESENT VALUE								356	498	519	550	**3,463**
ENTERPRISE VALUE												**5,386**
2026 E NET DEBT												-536
TOTAL EQUITY VALUE												**4,850**
MINORITY INTEREST												*8*
MAJ. EQUITY VALUE												**4,842**
SHARES OUTSTANDING												47
PRICE PER SHARE												**$103**
CURRENT PRICE												70
Upside potential												47.2%
NET INCOME	**-40**	**280**	**21**	**339**	**574**	**456**	**490**	**522**	**658**	**742**	**849**	
% of Sales	-1.3%	7.5%	0.6%	7.9%	11.6%	8.9%	9.1%	9.3%	11.2%	12.1%	13.3%	
EPS	-0.9	5.9	0.4	7.2	12.2	**9.7**	**10.4**	11.1	14.0	15.8	18.0	
PE	-120.1	17.3	234.9	14.3	8.4	**10.6**	**9.9**	9.3	7.4	6.5	5.7	

BEAR CASE VALUATION

	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	PERP
REVENUES	**3,125**	**3,713**	**3,698**	**4,281**	**4,949**	**5,082**	**5,298**	**5,443**	**5,607**	**5,753**	**5,900**	**6,000**
Annual Growth		18.8%	-0.4%	15.8%	15.6%	2.7%	4.2%	2.7%	3.0%	2.6%	2.6%	
EBITDA	**218**	**499**	**239**	**630**	**895**	**793**	**754**	**685**	**826**	**831**	**821**	**600**
EBITDA Margin	7%	13%	6%	15%	18%	16%	14%	13%	15%	14%	14%	10%
Annual Growth		129%	-52%	164%	42%	-11%	-5%	-9%	21%	1%	-1%	
Δ WORKING CAPITAL	30	216	-156	-201	114	-51	-54	-56	-59	-61	-64	-90
% of Sales	1.0%	5.8%	-4.2%	-4.7%	2.3%	-1.0%	-1.0%	-1.0%	-1.0%	-1.1%	-1.1%	-1.5%
TAXES	-65	-41	-60	-150	-195	-152	-139	-173	-173	-173	-173	-150
% of EBITDA	-29.5%	-8.3%	-25.3%	-23.8%	-21.8%	-19.2%	-18.4%	-25.3%	-21.0%	-20.9%	-21.1%	-25.0%
OPERATING CASH FLOW	**313**	**756**	**143**	**579**	**1,203**	**894**	**840**	**802**	**940**	**944**	**931**	**360**
CAPEX	-203	-102	-97	-165	-158	-221	-217	-223	-228	-236	-246	-240
% of Sales	-6.5%	-2.7%	-2.6%	-3.8%	-3.2%	-4.3%	-4.1%	-4.1%	-4.1%	-4.1%	-4.2%	-4.0%
FCF	**110**	**654**	**46**	**414**	**1,046**	**673**	**623**	**579**	**712**	**708**	**685**	**120**
FCF Mgn.	50.6%	131.0%	19.3%	65.7%	116.9%	84.9%	82.6%	84.5%	86.3%	85.1%	83.4%	20.0%
PRESENT VALUE								526	589	532	468	**1,025**
ENTERPRISE VALUE												**3,139**
2026 E NET DEBT												-437
TOTAL EQUITY VALUE												**2,702**
MINORITY INTEREST												8
MAJ. EQUITY VALUE												**2,694**
SHARES OUTSTANDING												47
PRICE PER SHARE												**$57**
CURRENT PRICE												70
Upside potential												-18.1%
NET INCOME	**16**	**348**	**72**	**339**	**518**	**450**	**397**	**362**	**420**	**412**	**381**	
% of Sales	0.5%	9.4%	1.9%	7.9%	10.5%	8.9%	7.5%	6.7%	7.5%	7.2%	6.5%	
EPS	0.3	7.4	1.5	7.2	11.0	**9.6**	**8.4**	7.7	8.9	8.7	8.1	
PE	166.0	7.7	37.5	7.9	5.2	**6.0**	**6.8**	7.4	6.4	6.5	7.1	

BULL CASE VALUATION

	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	PERP
REVENUES	**3,125**	**3,713**	**3,698**	**4,281**	**4,949**	**5,112**	**5,453**	**5,687**	**5,957**	**6,240**	**6,559**	**6,750**
Annual Growth		18.8%	-0.4%	15.8%	15.6%	3.3%	6.7%	4.3%	4.8%	4.8%	5.1%	
EBITDA	**218**	**499**	**239**	**630**	**895**	**813**	**894**	**914**	**1,160**	**1,289**	**1,451**	**1,283**
EBITDA Margin	7%	13%	6%	15%	18%	16%	16%	16%	19%	21%	22%	19%
Annual Growth		129%	-52%	164%	42%	-9%	10%	2%	27%	11%	13%	
Δ WORKING CAPITAL	30	216	-156	-201	114	-51	-54	-56	-59	-61	-64	-169
% of Sales	1.0%	5.8%	-4.2%	-4.7%	2.3%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-2.5%
TAXES	-65	-41	-60	-150	-195	-152	-139	-173	-173	-173	-173	-321
% of EBITDA	-29.5%	-8.3%	-25.3%	-23.8%	-21.8%	-18.7%	-15.6%	-19.0%	-14.9%	-13.5%	-12.0%	-25.0%
OPERATING CASH FLOW	**313**	**756**	**143**	**579**	**1,203**	**914**	**980**	**1,031**	**1,275**	**1,401**	**1,560**	**793**
CAPEX	-203	-102	-97	-165	-158	-221	-217	-223	-228	-236	-246	-371
% of Sales	-6.5%	-2.7%	-2.6%	-3.8%	-3.2%	-4.3%	-4.0%	-3.9%	-3.8%	-3.8%	-3.8%	-5.5%
FCF	**110**	**654**	**46**	**414**	**1,046**	**693**	**763**	**808**	**1,047**	**1,165**	**1,314**	**422**
FCF Mgn.	50.6%	131.0%	19.3%	65.7%	116.9%	85.3%	85.3%	88.4%	90.2%	90.4%	90.6%	32.9%
PRESENT VALUE								735	865	875	898	**3,602**
ENTERPRISE VALUE												**6,975**
2026 E NET DEBT												-597
TOTAL EQUITY VALUE												**6,378**
MINORITY INTEREST												8
MAJ. EQUITY VALUE												**6,370**
SHARES OUTSTANDING												47
PRICE PER SHARE												**$135**
CURRENT PRICE												70
Upside potential												93.7%
NET INCOME	**16**	**348**	**72**	**339**	**518**	**471**	**537**	**592**	**755**	**869**	**1,011**	
% of Sales	0.5%	9.4%	1.9%	7.9%	10.5%	9.2%	9.8%	10.4%	12.7%	13.9%	15.4%	
EPS	0.3	7.4	1.5	7.2	11.0	**10.0**	**11.4**	12.6	16.0	18.5	21.5	
PE	392.4	18.3	88.6	18.8	12.3	**13.5**	**11.9**	10.8	8.4	7.3	6.3	

SENSITIVITIES TO WACC

PRESENT VALUE							
WACC	8.5%		361	512	541	581	4,503
WACC	9.0%		359	507	534	570	4,105
WACC	9.5%		357	503	526	560	3,762
WACC	10.0%		356	498	519	550	3,463
WACC	10.5%		354	494	512	540	3,201
WACC	11.0%		352	489	505	530	2,969
WACC	11.5%		351	485	498	521	2,762

PRESENT VALUE		NPV	ENTERPRISE VALUE	Price P$	Upside
WACC	**8.5%**	6,497	5,954	**$126**	**81%**
WACC	**9.0%**	6,075	5,532	**$118**	**68%**
WACC	**9.5%**	5,708	5,165	**$110**	**57%**
WACC	**10.0%**	5,386	4,842	**$103**	**47%**
WACC	**10.5%**	5,100	4,557	**$97**	**39%**
WACC	**11.0%**	4,846	4,303	**$91**	**31%**
WACC	**11.5%**	4,617	4,074	**$87**	**24%**

SENSITIVITIES TO P/E

		EPS									
		5	6	7	8	9	10	11	12	13	14
P/E	4.0x	-71%	-66%	-60%	-54%	-48%	-43%	-37%	-31%	-26%	-20%
P/E	4.5x	-68%	-61%	-55%	-48%	-42%	-36%	-29%	-23%	-16%	-10%
P/E	5.0x	-64%	-57%	-50%	-43%	-36%	-28%	-21%	-14%	-7%	0%
P/E	5.5x	-61%	-53%	-45%	-37%	-29%	-21%	-13%	-6%	2%	10%
P/E	6.0x	-57%	-48%	-40%	-31%	-23%	-14%	-6%	3%	12%	20%
P/E	6.5x	-53%	-44%	-35%	-26%	-16%	-7%	2%	12%	21%	30%
P/E	7.0x	-50%	-40%	-30%	-20%	-10%	0%	10%	20%	30%	40%
P/E	7.5x	-46%	-36%	-25%	-14%	-3%	7%	18%	29%	40%	50%
P/E	8.0x	-43%	-31%	-20%	-8%	3%	14%	26%	37%	49%	60%
P/E	8.5x	-39%	-27%	-15%	-3%	9%	22%	34%	46%	58%	70%
P/E	9.0x	-36%	-23%	-10%	3%	16%	29%	42%	55%	67%	80%
P/E	9.5x	-32%	-18%	-5%	9%	22%	36%	50%	63%	77%	90%
P/E	10.0x	-28%	-14%	0%	14%	29%	43%	57%	72%	86%	100%
P/E	10.5x	-25%	-10%	5%	20%	35%	50%	65%	80%	95%	110%
P/E	11.0x	-21%	-6%	10%	26%	42%	57%	73%	89%	105%	120%
P/E	11.5x	-18%	-1%	15%	32%	48%	65%	81%	98%	114%	130%
P/E	12.0x	-14%	3%	20%	37%	55%	72%	89%	106%	123%	140%

SENSITIVITIES TO EV/EBITDA

		EBITDA									
		600	650	700	750	800	850	900	950	1,000	1,050
EV/EBITDA	3.0x	-62%	-57%	-53%	-48%	-44%	-39%	-34%	-30%	-25%	-21%
EV/EBITDA	3.5x	-53%	-47%	-42%	-37%	-31%	-26%	-21%	-15%	-10%	-5%
EV/EBITDA	4.0x	-44%	-37%	-31%	-25%	-19%	-13%	-7%	-1%	5%	11%
EV/EBITDA	4.5x	-34%	-28%	-21%	-14%	-7%	0%	7%	13%	20%	27%
EV/EBITDA	5.0x	-25%	-18%	-10%	-3%	5%	13%	20%	28%	35%	43%
EV/EBITDA	5.5x	-16%	-8%	1%	9%	17%	26%	34%	42%	51%	59%
EV/EBITDA	6.0x	-7%	2%	11%	20%	29%	39%	48%	57%	66%	75%
EV/EBITDA	6.5x	2%	12%	22%	32%	42%	51%	61%	71%	81%	91%
EV/EBITDA	7.0x	11%	22%	32%	43%	54%	64%	75%	86%	96%	107%
EV/EBITDA	7.5x	20%	32%	43%	54%	66%	77%	89%	100%	111%	123%
EV/EBITDA	8.0x	29%	42%	54%	66%	78%	90%	102%	115%	127%	139%
EV/EBITDA	8.5x	39%	51%	64%	77%	90%	103%	116%	129%	142%	155%
EV/EBITDA	9.0x	48%	61%	75%	89%	102%	116%	130%	143%	157%	171%
EV/EBITDA	9.5x	57%	71%	86%	100%	115%	129%	143%	158%	172%	187%
EV/EBITDA	10.0x	66%	81%	96%	111%	127%	142%	157%	172%	187%	203%
EV/EBITDA	10.5x	75%	91%	107%	123%	139%	155%	171%	187%	203%	219%
EV/EBITDA	11.0x	84%	101%	118%	134%	151%	168%	184%	201%	218%	235%